

HOUSE BILL REPORT

HB 2202

As Reported by House Committee On:
Economic Development, Agriculture & Trade

Title: An act relating to the economic impact of the agriculture and food processing industries.

Brief Description: Studying the impact of agriculture and food processing on the state's economy.

Sponsors: Representatives Kenney, Grant, Hinkle, Clibborn, Curtis, Linville, Eickmeyer, Newhouse, McCoy, Buri, Morrell, Kilmer, Chase, Pettigrew, Morris, Hudgins, Simpson, Conway and Santos.

Brief History:

Committee Activity:

Economic Development, Agriculture & Trade: 3/1/05, 3/2/05 [DPS].

Brief Summary of Substitute Bill

- Directs the Department of Agriculture to commission a comprehensive study of the economic impacts of the agriculture and food processing industries on Washington.

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, AGRICULTURE & TRADE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 23 members: Representatives Linville, Chair; Pettigrew, Vice Chair; Kristiansen, Ranking Minority Member; Skinner, Assistant Ranking Minority Member; Blake, Buri, Chase, Clibborn, Condotta, Dunn, Grant, Haler, Holmquist, Kenney, Kilmer, Kretz, McCoy, Morrell, Newhouse, Quall, Strow, P. Sullivan and Wallace.

Staff: Meg Van Schoorl (786-7105).

Background:

Washington's agriculture and food processing industries are major contributors to the economy. According to the Washington Agricultural Statistics Service (WASS), in 2003 there were 35,500 farms producing crops with a total farmgate value of \$5.798 billion. The Department of Agriculture (WSDA) estimates that food processing is a \$12 billion industry, and, together with agriculture, is the state's largest employer. In a 1999 white paper titled "Consolidation and Change in the Washington Agri-Food Complex," Chase Economics estimated that agriculture, food and related support industries produced \$3.5 billion in wages

and salaries, \$17.5 billion in sales (including \$5.1 billion in exports), and employed 183,000 people.

As part of the same white paper, the author concluded that: "While data exists on the food processing and agriculture sectors of the agri-food complex, adequate information is lacking on the important economic linkages amongst the various sectors within the entire complex. Additionally the existing data is inadequate to fully assess the economic impacts of concurrent trends upon the industry complex as a whole. The economic scope and scale of the complex needs to be further documented, including an analysis of the broad linkages of the complex with the broader economy along with an assessment of the important economic connections between urban and rural Washington."

Summary of Substitute Bill:

The Legislature recognizes that the agriculture and food processing industries contribute significantly to the state's economy, generating jobs, income and revenues in urban and rural communities statewide. However, a complete assessment of the value of these industries is needed to support good public policy and future planning.

The WSDA is directed to commission a comprehensive economic impact study of the food and agriculture industries, including: statewide and regional direct, indirect and induced impacts; multiplier effects on other sectors such as transportation, research and development, tourism, and manufacturing; growth trends of specific commodities and foods; and external events that are shaping the industries' economic performance. The study will also assess the economic linkages between the food processing sector and agricultural commodities, including the extent to which Washington manufacturers use local and regional commodities in their processing. The study is due to appropriate committees of the Legislature on June 30, 2006.

Substitute Bill Compared to Original Bill:

The deadline for study completion is extended from December 1, 2005, to June 30, 2006. The study will include an assessment of the use of local and regional agricultural commodities by Washington food processors.

Appropriation: The sum of \$100,000 from the General Fund to the Department of Agriculture.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: Washington's agriculture and food processing industries are more significant to the state's economy than we are aware of with respect to employment, income, exports, and tourism. An overall study such as this has never been done. Having the data and

information in one place will be extremely useful in measuring the effects of significant events, policy issues, and trends. The last time there was a drought, for example, we had to look hard to gather necessary information together on an emergency basis. Agriculture is 13 percent of the gross state product, but we don't know much about connections and cross-linkages between food processing and crops, or between urban and rural communities. The study completion deadline of December 1, 2005 may be too short. Washington State University estimates that it would take six to seven months at least to complete. The price tag of \$100,000 is about right. Some agricultural sectors have already done studies at \$15,000 to \$40,000 per industry sector, and the data from those studies could be used as part of the basis for this one.

Testimony Against: None.

Persons Testifying: Representative Kenney, prime sponsor; Representative Grant; Heather Hansen, Washington Association of Wheat Growers; and Eric Hurlburt, Washington Department of Agriculture.

Persons Signed In To Testify But Not Testifying: None.